

Message Text

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UNCLAS LONDON 15300

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E.O. 11652: N/A
TAGS: EIND, EINV, UK
SUBJECT: FORD TO ESTABLISH NEW ENGINE PLANT IN WALES

1. FORD'S DECISION, PUBLICLY ANNOUNCED SEPTEMBER 9, TO BUILD AN 180 MILLION POUNDS (ABOUT \$315 MILLION) ENGINE PLANT IN WALES HAS BEEN HAILED BY GOVERNMENT SPOKESMEN AS A VOTE OF CONFIDENCE IN BRITAIN'S ECONOMIC FUTURE.

2. ENTHUSIASTIC PRESS REPORTS HAVE TERMED THE FORD INVESTMENT DECISION AS A WELCOME TURNAROUND FROM SIX YEARS AGO WHEN HENRY FORD II DECLARED FOLLOWING A SIX WEEKS STRIKE AT FORD OF BRITAIN THAT HE "COULD NOT IN GOOD CONSCIENCE RECOMMEND TO MY BOARD ANY NEW CAPITAL EXPENDITURE IN BRITAIN." THE NEW PLANT, SCHEDULED TO COME ON STREAM IN 1980, IS EXPECTED TO PROVIDE EMPLOYMENT FOR 2,500 WORKERS AND CREATE AN ADDITION OF 5,000 JOBS IN SUPPLIER INDUSTRIES IN AN AREA WHERE REDUNDANT STEEL WORKERS HAVE CREATED A GROWING UNEMPLOYMENT PROBLEM.

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3. THE PROPOSED NEW PLANT ON AN 180 ACRE SITE LOCATED AT BRIDGEND, 20 MILES FROM CARDIFF, REPORTEDLY IS TO HAVE AN ANNUAL CAPACITY OF 400 TO 600 THOUSAND ENGINES, MAINLY FOR FORD'S CORTINA MODEL. FORD SOURCES TOLD THE PRESS THAT A PART OF THE PRODUCTION AT THE NEW FACILITY WILL ALLOW FOR A CUT BACK IN ENGINE PRODUCTION AT FORD'S DAGENHAM PLANT IN THE U.K., WHICH EMPLOYS 6,000 AND PRO-

DUCED 818,000 ENGINES IN 1976. REDUNDANT PLANT AREA AT DAGENHAM WOULD THEN BE USED FOR ASSEMBLY OF THE CORTINA MODEL. THE EXPORT POTENTIAL OF THE NEW WALES PLANT IS BEING ESTIMATED IN THE PRESS AT AS MUCH AS 150 MILLION POUNDS.

4. THE SELECTION OF WALES OVER OTHER EUROPEAN CONTENDERS FOR THE FORD PLANT REPORTEDLY IS DUE TO ECONOMIES ACHIEVED BY INTEGRATING PRODUCTION WITH THE EXISTING DAGENHAM FACILITIES; LOWER LABOR COSTS; THE RELATIVELY GOOD LABOR RELATIONS THAT FORD HAS HAD IN ITS DAGENHAM ENGINE PLANT OPERATIONS AS COMPARED TO ASSEMBLY PLANT OPERATIONS; AND, ACCORDING TO "THE TIMES", THE NEED TO DAMPEN DOWN GOVERNMENT CONCERN OVER RISING IMPORTS OF CONTINENTAL-MADE FORD CARS, WHICH HAVE REACHED ONE-THIRD OF ALL FORD CAR SALES IN THE U.K. EVIDENTLY FORD HAS ALSO HAD A SATISFACTORY EXPERIENCE WITH ITS TWO EXISTING PLANTS IN SOUTH WALES, AN AXLE PLANT EMPLOYING 2,300 AND A FACTORY MAKING CERAMICS FOR SPARK PLUGS.

5. FORD WILL ALSO BENEFIT FROM THE ORDINARY GOVERNMENT ASSISTANCE BEING OFFERED TO NEW FOREIGN INVESTMENT, THE MOST IMPORTANT OF WHICH IS THE 20 PERCENT DEVELOPMENT AREA GRANT ON CAPITAL COST. THIS AND INTEREST RELIEF GRANTS COULD BRING THE TOTAL VALUE OF GOVERNMENT ASSISTANCE TO 40 MILLION POUNDS.

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6. WHILE MUCH OF THE CAPITAL EQUIPMENT NEEDS FOR THE NEW PLANT WILL LIKELY BE PROCURED IN BRITAIN, FORD IS UNDER NO OBLIGATION TO PURCHASE FROM LOCAL SOURCES. THIS COULD MEAN AN OPPORTUNITY FOR U.S. SUPPLIERS AS THE PLANT IS TO BE HIGHLY AUTOMATED, USING THE LATEST PRODUCTION EQUIPMENT.

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